

SB 121

Alaska Pensions

Retirement choices for the Last Frontier

New hires get a choice

- SB 121 creates a new defined benefit tier
 - New hires can choose a guaranteed benefit or to control their money
- The new tier is:
 - cost neutral
 - more predictable
 - shares risk
- Those who serve Alaskans can choose the retirement plan that fits their service

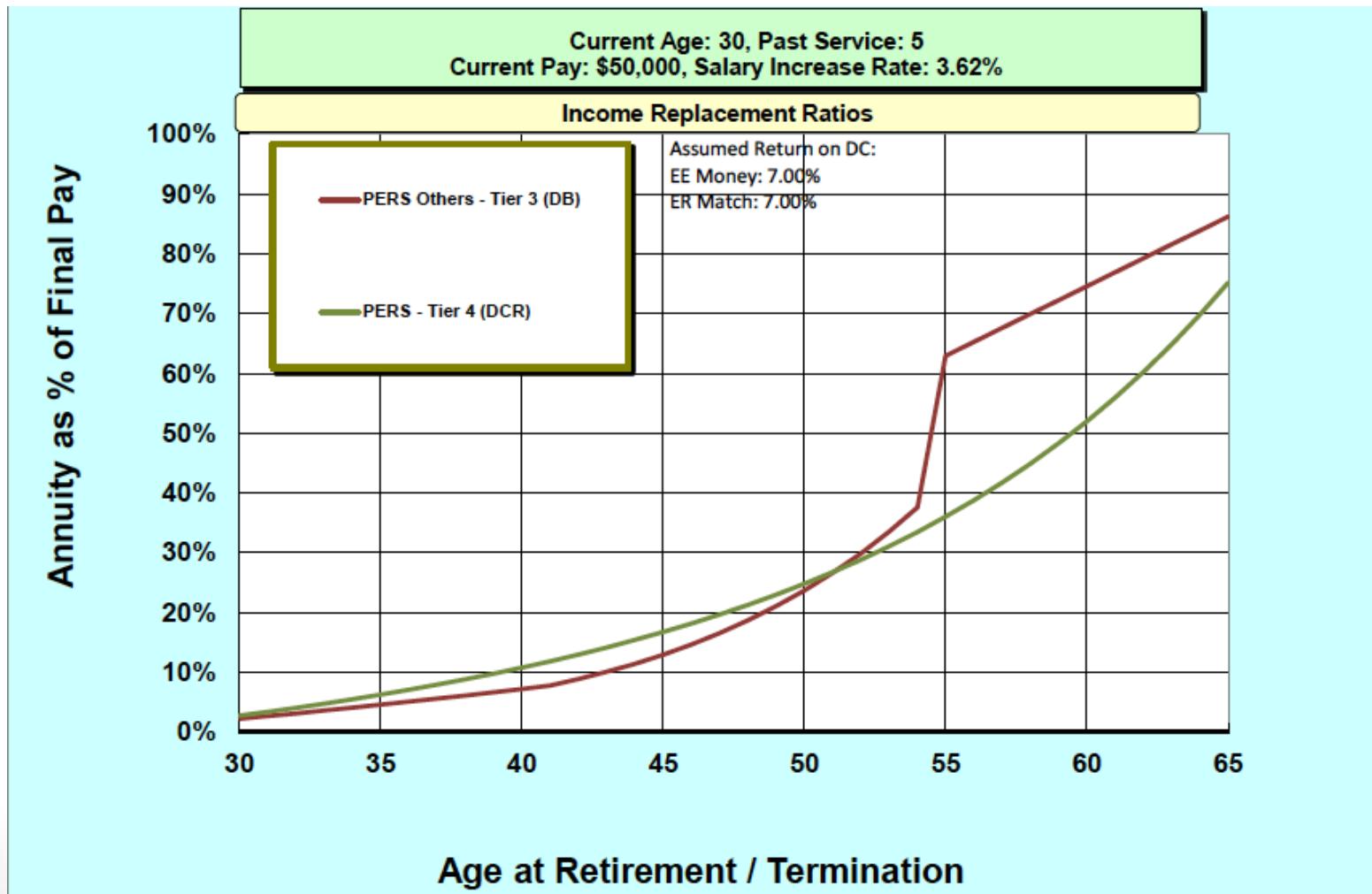
All Alaskans Benefit

- A choice of retirement plans gives states & cities the tools to recruit and retain.
 - They can deliver the best value for public dollars.
- The national employment situation is improving.
 - How does Alaska remain competitive?
 - Keeping good employees and attracting better.
- Economic impact of Defined Benefit pensions – total economic impact to Alaska of \$1.4 billion.

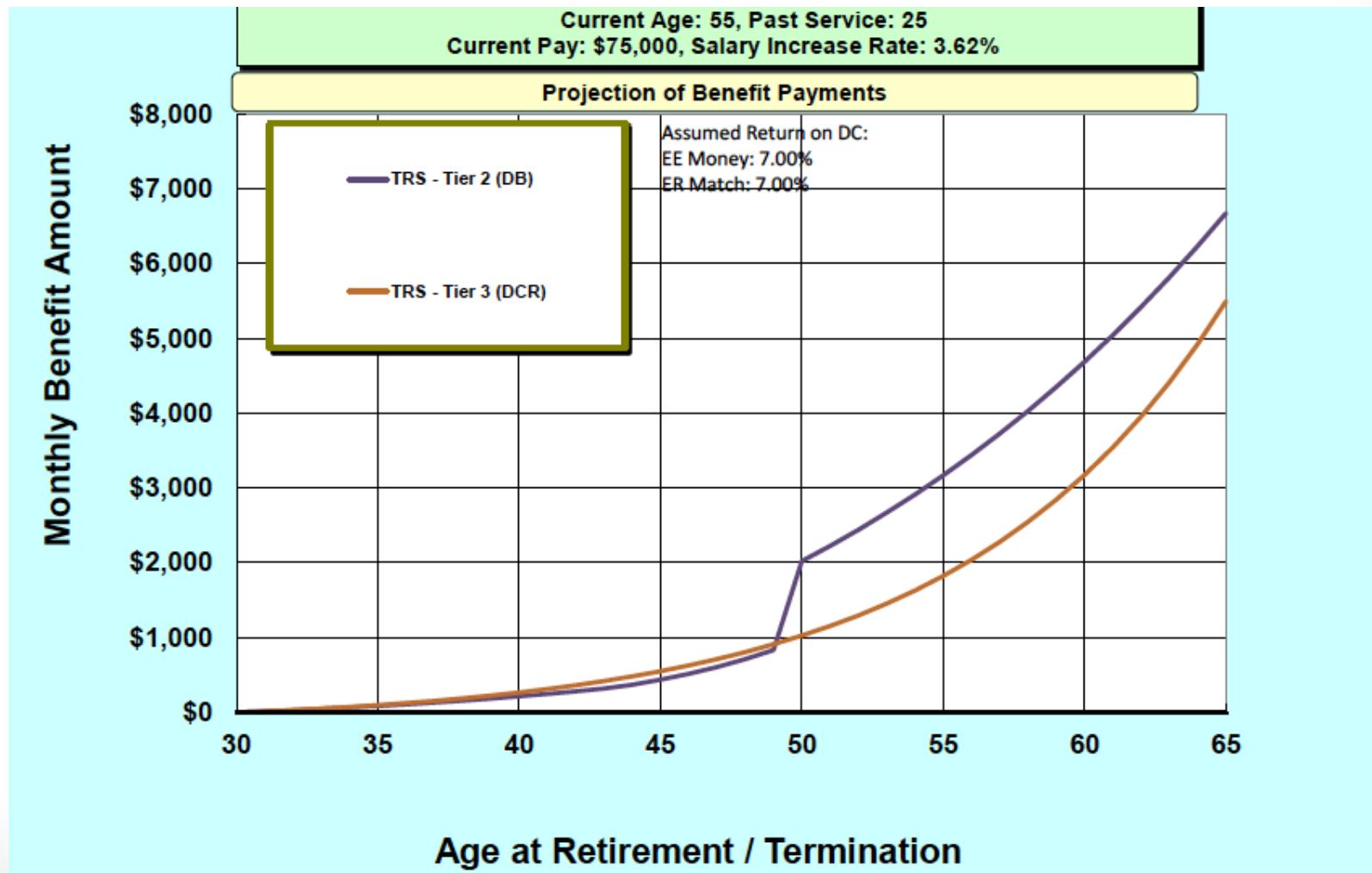
A balanced approach

- Each system has strengths:
 - Defined benefits means knowing how much you'll have
 - But you can't strike it rich
 - And it takes a long time to earn
 - Controlling your investments lets you 'beat the street'
 - And you can take it with you when you leave
 - But there are no guarantees

Two PERS employees:



Two TRS Employees:



What Stays the Same?

- The Defined Contribution systems do not change.
- The 2005 safeguards remain in place
- DB pension benefits
- Health plan coverage.

What's different?

- Most employees pay more into the new tier
- It takes longer to earn retiree health insurance
 - Medicare eligibility for most
 - Cost sharing
 - Risk Sharing
- DB retirement eligibility similar to DC tiers.
- DC employees get one chance to switch.

A responsible approach

- SB 121's new tier adjusts so it doesn't cost more than DC tiers
- SB 121 takes longer to earn retiree health insurance
 - Eliminates the most expensive years for most retirees
 - Shares the cost
 - Shares the risk until the employee retires
- Conversions to the new tier at employee's option – and cost.
- All the 2005 safeguards remain:
 - Review by a second actuary
 - Minimum salaries for elected officials
 - Experience studies
 - ARM Board
 - No paying less than the cost
 - Refunding DB contributions is permanent

More for Alaskans' Money

- Professional managers earn more
- No added costs – we're already running two systems
- \$762 million/year in DB benefits are a shock absorber for the Alaska economy
- Employees who prefer portability and control have a choice
- Cities, school districts, and the state have excellent recruiting tools

Cost Neutral

State of Alaska
 Summary of Normal Costs for New Tier Members under CS SB 121 R.2 DB/DC Choice Proposal
 (\$ in thousands)

Teachers' Retirement System

Employer					Increase in	Total	Employer		Healthcare Normal		Inc. Retiree		Employer		Healthcare Normal		Employer		Employer		Employer		DB / DCR	Pension	Healthcare
Headcount	Salary	Pension	Healthcare	Retiree	Employer	Pension Normal	Cost Rate	Premium	Healthcare Normal	Cost Rate	(% of Pay)	Cost Rate	(% of Pay)	Healthcare Normal	Cost Rate	(per member)	DCR Contribution	Total Amount	Cost	Cost					
FY16	2,016	\$120,847	\$3,426	\$7,779	\$0	\$11,205	2.84%	8.45%	0.00%	8.45%	8.45%	0.00%	8.45%	\$3.88	7.00%	\$8,445	3.49%	\$4,211	\$12,858	(\$1,451)	(\$5,019)	\$3,588			
FY17	2,683	162,678	4,828	10,843	0	15,489	2.84%	8.68%	0.00%	8.68%	8.68%	0.00%	8.68%	4.07	7.00%	11,401	3.49%	5,684	17,085	(1,818)	(6,775)	5,159			
FY18	3,249	205,081	5,824	14,134	0	19,958	2.84%	8.89%	0.00%	8.89%	8.89%	0.00%	8.89%	4.35	7.00%	14,356	3.49%	7,157	21,613	(1,556)	(6,532)	6,977			
FY19	3,795	248,042	7,044	17,375	0	24,419	2.84%	7.00%	0.00%	7.00%	7.00%	0.00%	7.00%	4.58	7.00%	17,383	3.49%	8,657	28,020	(1,801)	(10,319)	8,718			
FY20	4,307	291,985	8,292	20,867	0	28,959	2.84%	7.08%	0.00%	7.08%	7.08%	0.00%	7.08%	4.80	7.00%	20,439	3.49%	10,190	30,629	(1,870)	(12,147)	10,477			
FY21	4,788	336,868	9,570	24,013	0	33,583	2.84%	7.13%	0.00%	7.13%	7.13%	0.00%	7.13%	5.02	7.00%	23,598	3.49%	11,780	35,348	(1,765)	(14,018)	12,253			
FY22	5,249	383,725	10,898	27,811	0	38,709	2.84%	7.25%	0.00%	7.25%	7.25%	0.00%	7.25%	5.30	7.00%	26,881	3.49%	13,392	40,263	(1,544)	(15,963)	14,419			
FY23	5,687	431,831	12,284	31,823	0	44,087	2.84%	7.37%	0.00%	7.37%	7.37%	0.00%	7.37%	5.60	7.00%	30,228	3.49%	15,071	45,209	(1,212)	(17,964)	16,752			
FY24	6,097	481,032	13,681	35,831	0	49,492	2.84%	7.45%	0.00%	7.45%	7.45%	0.00%	7.45%	5.88	7.00%	33,872	3.49%	16,788	50,400	(988)	(20,011)	19,043			
FY25	6,480	531,222	15,087	40,120	0	55,207	2.84%	7.55%	0.00%	7.55%	7.55%	0.00%	7.55%	6.19	7.00%	37,188	3.49%	18,540	55,728	(519)	(22,099)	21,580			
FY26	6,837	582,733	16,550	44,812	34	61,128	2.84%	7.68%	0.01%	7.68%	7.68%	0.01%	7.68%	6.53	7.00%	40,791	3.49%	20,337	61,128	0	(24,241)	24,241			
FY27	7,174	635,207	18,040	49,485	891	66,634	2.84%	7.79%	0.14%	7.79%	7.79%	0.14%	7.79%	6.90	7.00%	44,465	3.49%	22,109	68,634	0	(26,425)	26,425			
FY28	7,498	689,011	19,588	54,790	2,081	72,277	2.84%	7.95%	0.30%	7.95%	7.95%	0.30%	7.95%	7.31	7.00%	48,231	3.49%	24,046	72,277	0	(26,863)	26,863			
FY29	7,799	743,880	21,126	60,328	3,419	78,033	2.84%	8.11%	0.48%	8.11%	8.11%	0.48%	8.11%	7.73	7.00%	52,072	3.49%	25,981	78,033	0	(30,946)	30,946			
FY30	8,085	799,783	22,713	66,048	4,868	83,895	2.84%	8.28%	0.61%	8.28%	8.28%	0.61%	8.28%	8.17	7.00%	55,983	3.49%	27,912	83,895	0	(33,270)	33,270			
FY31	8,354	856,891	24,338	72,381	6,810	89,887	2.84%	8.44%	0.79%	8.44%	8.44%	0.79%	8.44%	8.86	7.00%	59,982	3.49%	29,805	89,887	0	(36,846)	36,846			
FY32	8,603	914,224	25,984	79,257	9,319	95,902	2.84%	8.67%	1.02%	8.67%	8.67%	1.02%	8.67%	9.21	7.00%	63,996	3.49%	31,908	95,902	0	(38,032)	38,032			
FY33	8,833	972,321	27,614	86,577	12,195	101,098	2.84%	8.80%	1.25%	8.80%	8.80%	1.25%	8.80%	9.80	7.00%	68,082	3.49%	33,934	101,098	0	(40,448)	40,448			
FY34	9,048	1,031,381	29,292	94,183	15,282	108,193	2.84%	9.13%	1.49%	9.13%	9.13%	1.49%	9.13%	10.41	7.00%	72,197	3.49%	35,998	108,193	0	(42,905)	42,905			
FY35	9,245	1,091,487	30,998	101,815	18,318	114,405	2.84%	9.33%	1.68%	9.33%	9.33%	1.68%	9.33%	11.01	7.00%	76,403	3.49%	38,092	114,405	0	(45,405)	45,405			
FY36	9,429	1,152,862	32,741	109,813	21,818	120,935	2.84%	9.53%	1.88%	9.53%	9.53%	1.88%	9.53%	11.65	7.00%	80,700	3.49%	40,235	120,935	0	(47,959)	47,959			
FY37	9,604	1,215,058	34,508	118,883	25,931	127,480	2.84%	9.78%	2.13%	9.78%	9.78%	2.13%	9.78%	12.38	7.00%	85,054	3.49%	42,408	127,480	0	(50,546)	50,546			
FY38	9,767	1,278,271	36,303	128,840	30,852	134,091	2.84%	10.08%	2.41%	10.08%	10.08%	2.41%	10.08%	13.17	7.00%	89,479	3.49%	44,612	134,091	0	(53,176)	53,176			
FY39	9,923	1,342,783	38,134	139,358	36,837	140,855	2.84%	10.39%	2.73%	10.39%	10.39%	2.73%	10.39%	14.04	7.00%	93,993	3.49%	46,882	140,855	0	(56,959)	55,859			
FY40	10,089	1,408,719	40,008	161,028	43,260	147,774	2.84%	10.72%	3.07%	10.72%	10.72%	3.07%	10.72%	15.00	7.00%	98,810	3.49%	49,184	147,774	0	(58,802)	58,802			
FY41	10,211	1,476,294	41,927	164,021	51,084	154,884	2.84%	11.11%	3.46%	11.11%	11.11%	3.46%	11.11%	16.08	7.00%	103,341	3.49%	51,523	154,884	0	(61,414)	61,414			
FY42	10,347	1,545,182	43,883	178,058	59,851	162,090	2.84%	11.52%	3.87%	11.52%	11.52%	3.87%	11.52%	17.21	7.00%	108,163	3.49%	53,927	162,090	0	(64,280)	64,280			
FY43	10,478	1,616,133	45,898	193,384	69,750	169,532	2.84%	11.97%	4.32%	11.97%	11.97%	4.32%	11.97%	18.46	7.00%	113,129	3.49%	56,403	169,532	0	(67,231)	67,231			
FY44	10,607	1,689,400	47,979	209,834	80,395	177,218	2.84%	12.41%	4.76%	12.41%	12.41%	4.76%	12.41%	19.78	7.00%	118,258	3.49%	58,980	177,218	0	(70,279)	70,279			

SB 121: Good for Alaska

- I'm happy to take questions